

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 874 - SB 1235

March 11, 2017

SUMMARY OF BILL: Expands the current franchise and excise (F&E) tax credit of 50 percent of the purchase price of brownfield property to 25 percent of the total project property cost, which includes the cost of the brownfield property site and infrastructure improvements located on the brownfield property that are related to the qualified project, and the cost of renovation or construction of buildings located on the brownfield property that are related to the qualified project. Decreases, from \$25,000,000 to \$15,000,000, the minimum capital investment required for a project to be considered a qualified development project for the purposes of the F&E tax credit. Authorizes a qualified taxpayer that makes an enhanced capital investment of at least \$200,000,000 to claim the abovementioned tax credit, instead of the currently authorized credit equal to 75 percent of the purchase price of the brownfield property.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$9,940,000

Assumptions:

- The total number of brownfield sites that are currently or have been subject of an investigation or remediation as a brownfield project since January 1, 2000, is estimated to be 725.
- According to the July 2014 – June 2015 Annual Report by the Department of Environment and Conservation's Division of Remediation, the Division has worked with over 25 major brownfield redevelopment projects in the Nashville region alone in the past two years leading up to the report, with public and private developer investments totaling over \$1,500,000,000.
- The average total amount of brownfield redevelopment F&E tax credit taken over the last four complete fiscal years is approximately \$60,000 per year.
- Pursuant to Tenn. Code Ann. § 67-4-2009(8)(G), the aggregate maximum amount of authorized brownfield redevelopment F&E tax credits across all qualified taxpayers is \$10,000,000 in any one tax year.
- It is estimated that the proposed bill sufficiently expands the brownfield redevelopment F&E tax credit such that the aggregate maximum amount of authorized credits will be reached in every tax year.
- The recurring decrease in state revenue is estimated to be \$9,940,000 (\$10,000,000 - \$60,000).

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- The Department of Revenue can accomplish the requirements of this bill utilizing existing resources. Any increase in departmental expenditures will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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